

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 NEA-09 AID-05 CIAE-00 COME-00 EB-07

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CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

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FM AMEMBASSY OSLO

TO SECSTATE WASHDC 9478

INFO USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

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E.O. 11652: N/A

TAGS: EFIN, ENRG, ECON, NO

SUBJ: NORWEGIAN ECONOMIC SITUATION AND POSSIBLE GOVERNMENT
BORROWING IN THE MIDDLE EAST

REF: OSLO 1044

1. FINANCE MINISTER KLEPPE RESPONDED ON MARCH 20
TO CRITICISM IN PARLIAMENT THAT (A) THE GOVERNMENT WAS
NOT DOING ENOUGH TO CURB INFLATION OR MEET ECONOMIC
DIFFICULTIES AND (B) WAS PLANNING TO BORROW FUNDS IN THE
MIDDLE EAST. KLEPPE SAID THAT THE SCOPE OF NORWAY'S 1975
FOREIGN BORROWING REQUIREMENTS CALLS FOR BORROWING FROM
SEVERAL DIFFERENT SOURCES. MIDDLE EASTERN SOURCES WILL
BE AMONG THOSE EVALUATED, BUT ONLY FOR A SMALL PART OF
TOTAL REQUIREMENTS. KLEPPE STRESSED THAT LOANS FROM
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ABROAD, REGARDLESS OF SOURCE, WOULD BE WITHOUT

ANY POLITICAL OBLIGATIONS OR CONDITIONS AND THAT BORROWING FROM PRODUCER COUNTRIES WOULD HELP RECYCLE THEIR SURPLUSES. NO FIGURE WAS GIVEN FOR THIS STATE OR STATE-GUARANTEED FOREIGN BORROWING IN 1975, BUT IT IS BELIEVED THAT IT WILL COME TO ABOUT \$1 BILLION, OR HALF THE DEFICIT NORWAY NOW EXPECTS IN ITS BALANCE OF PAYMENTS ON CURRENT ACCOUNT.

2. KLEPPE ALSO SAID THAT INVESTMENT DEMAND WILL CONTINUE WELL ABOVE RECORD LEVELS ESTABLISHED IN 1974, THAT INFLATION WOULD BE HELD TO 11 PERCENT AS PROMISED LAST FALL, AND THAT THERE WAS REASON TO BELIEVE THAT INCREASES IN REAL INCOME WOULD BE HIGHER THAN THE 4 PERCENT TO 5 PERCENT FORECAST AT THAT TIME. TO HELP INDUSTRIES AFFECTED BY FALLING DEMAND--NOTABLY EXPORT INDUSTRIES-- BANK CREDIT RESTRICTIONS WOULD BE RELAXED TO MAKE INVENTORY FINANCING EASIER. THE GOVERNMENT WILL GIVE PARLIAMENT IN THE NEAR FUTURE A FULL REPORT ON PRICE AND INCOME POLICY.

3. A SIGNIFICANT PART OF NORWAY'S CURRENT ACCOUNT DEFICIT IN 1975 IS RELATED TO DEVELOPMENT OF ITS OFF-SHORE OIL AND GAS. ALTHOUGH NO DETAILS OF HOW THE FUNDS WILL BE BORROWED IS AVAILABLE. HOWEVER, A CASE CAN BE MADE THAT ANY BORROWING FROM MIDDLE EAST, ESPECIALLY RELATED TO BORROWING FOR OIL DEVELOPMENT, IS CONTRARY TO THE OBJECTIVE OF THE IEA OF DECREASING DEPENDENCE ON OPEC MEMBERS.

4. ACTION REQUESTED: EMBASSY WOULD APPRECIATE AVAILABLE INFORMATION AND GUIDANCE ON U.S. VIEWS AND POLICY ON BORROWING FROM THE MIDDLE EAST.
BYRNE

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